

## SALT INSIGHTS

Jurisdiction: Delaware  
Tax Type: Individual Income Tax  
Issue: Delaware Angel Investor Income Tax Credit  
Date: June 6, 2018

### SYNOPSIS:

Delaware has enacted a refundable personal income tax credit (Angel Investor Credit) equal to 25% of an individual's qualified investment in a qualified small business effective for tax years beginning after January 1, 2019, and returns filed after December 31, 2019.

A qualified investment ("investment") in a business is eligible for the tax credit, if the business: (1) is certified for the calendar year in which, and before, the investment was made; (2) has not ever issued securities traded on a public exchange; (3) does not issue securities to be traded on a public exchange within 180 days after the date the investment was made; (4) does not have a liquidation event within 180 days after the date the investment was made; and (5) uses investments for qualified expenditures- (1) real property in Delaware; (2) personal property for use only in Delaware; (3) intangible property developed in Delaware; (4) proof of concept or prototype manufacturing in Delaware; and (5) payroll and compensation for work performed in Delaware.

To claim the credit: (1) the director must certify the "qualified investor", the "qualified fund", and the "qualified small business"; (2) the qualified investor or fund must maintain its investment in the qualified small business for 180 days, and (3) the investment must be a cash investment in a qualified small business of a at least \$10,000 in a calendar year by a qualified investor, or \$30,000 in a calendar year by a qualified fund. And, to avoid claw-back provisions, a qualified investor or fund must meet the 3-year holding period and the 3-year employment and qualified expenditures.

### INSIGHT:

Delaware's Angel Investor Credit expires beginning on or after January 1, 2022. Any credit which exceeds the tax shown on the investor's tax return is refundable to the investor. Accordingly, to maximize the benefits, analysis and application process should be started as soon as possible. Contact SimekScott to discuss.

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